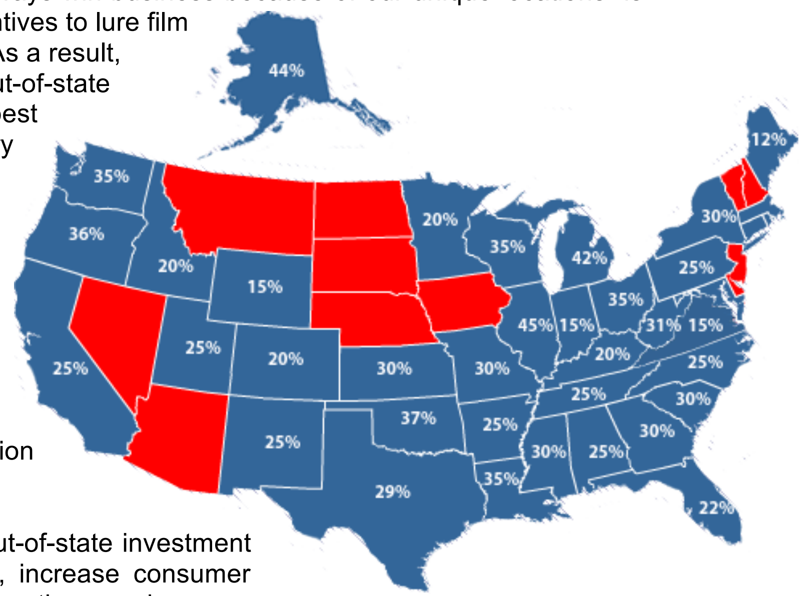
The Motion Picture Jobs Creation Act
Executive Summary

Producers and studios want to film here in Nevada. They already love our proximity to LA, unique locations, 24/7 culture and normally low tax structure. However, they consistently take hundreds of millions past Nevada to shoot in other states simply because it's more affordable to do so.

- Since 2001, **Nevada's film & television industry has declined 43%**, from $155M to just $89M.[1] While we maintain a robust trade in short commercial shoots, they do little to create regular jobs for Nevadans. The old paradigm of "Nevada will always win business because of our unique locations" is not good enough anymore. **40 states** offer incentives to lure film & TV productions with big out-of-state money.[2] As a result, Nevada has lost inter-state competitiveness, out-of-state investment money, long-term jobs and our best local talent. Nevada's film & television industry will continue to shrivel into non-existence… unless we can compete on a level economic playing field with our neighboring states.



- The economic impact of an average film is **190% of its actual budget**.[3] Productions create instant local hires, rentals, and purchases, which in turn necessitate even more local employment. About 60% of all incentive dollars go to labor, and each production job also creates 0.7 secondary jobs.[4]

- Film tax incentives bring millions of dollars in out-of-state investment to employ locals. They diversify the economy, increase consumer demand and draw tourism. On average, state incentives produce:
  - **1,540 new direct FTE jobs/yr**[3] + **1,078 new indirect FTE jobs/yr** for a total of **2,618 new jobs/yr**
  - Salaries around **$50-60k/yr**[4]
  - Up to **$20 in economic activity** and up to **$2.50 in state & local tax revenue** for **every** incentive dollar invested by the state[4]

- Film incentives have created burgeoning industries in most states that have adopted them.[4]
  - New Mexico's **25% incentive** boosted their industry from $29M/yr up to **$277M/yr.**
  - Georgia **30% program** sky-rocketed their industry from $124M/yr up to **$2.5 Billion** in just 7 years.
  - Louisiana's **35% transferrable tax credit program** swelled their industry **13,233%.**
  - All 3 states suffer from personal income tax, further distance from Los Angeles, and limited tourism draws. Yet most of their increases occurred during the Great Recession and against local market trends. It is clear that **tax incentives were a primary procuring cause** for billions of out-of-state dollars employing thousands of crews in other states.
  - All 3 states now have permanent studios in multiple cities.

- Investing in film tax incentives will create the **perfect storm** we need to draw the industry here permanently, regain lost jobs and build a **viable and sustainable industry**.

- The Motion Picture industry is non-polluting and complementary with gaming. It draws tourism and non-qualified income, like tips, gaming, conventions, new students, a vibrant arts culture, and even lap dances. This legislation will further bolster our reputation as the **Entertainment Capital of the World.**

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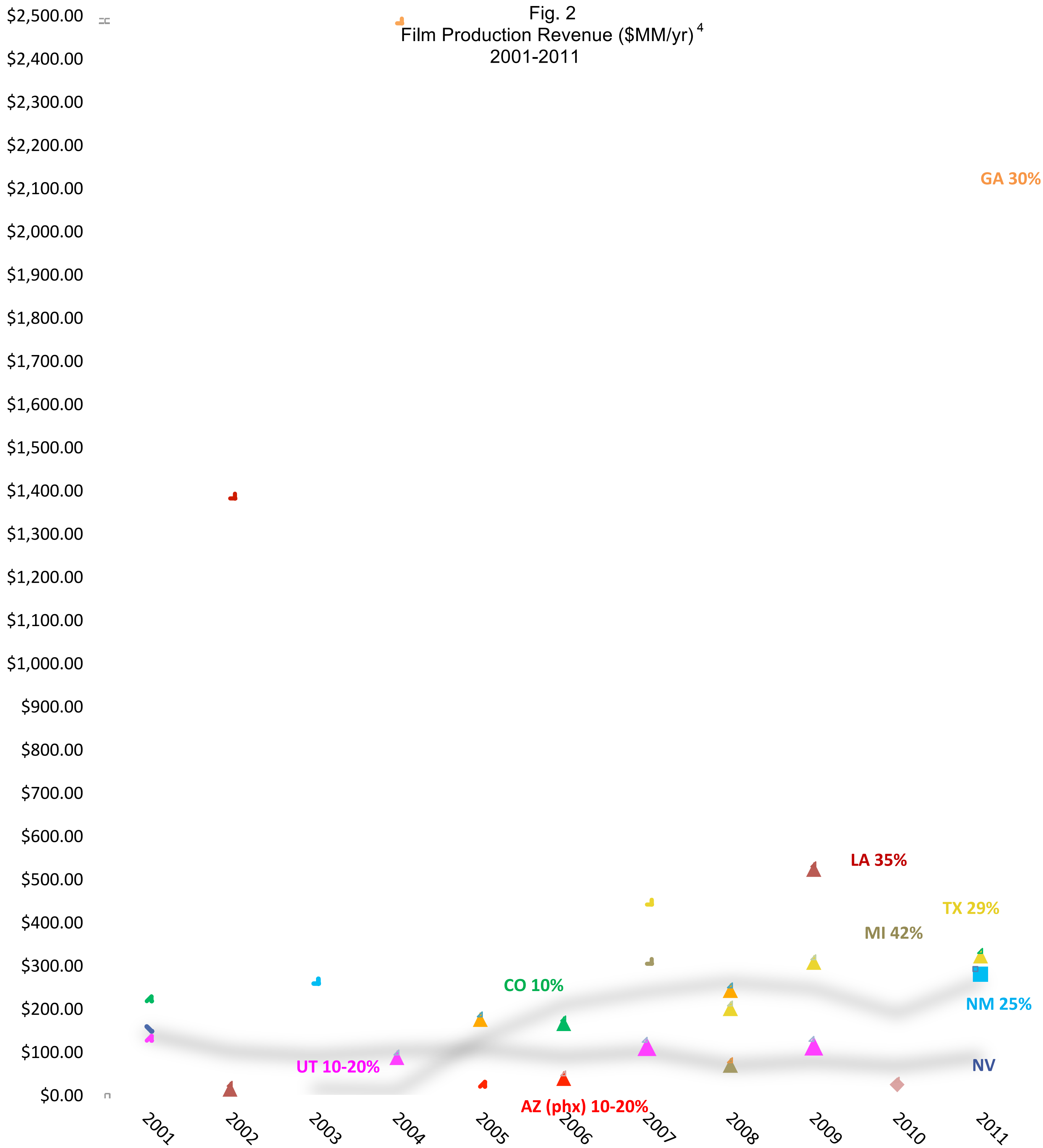
Fig. 2
Film Production Revenue ($MM/yr)[4]
2001-2011



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The Solution:

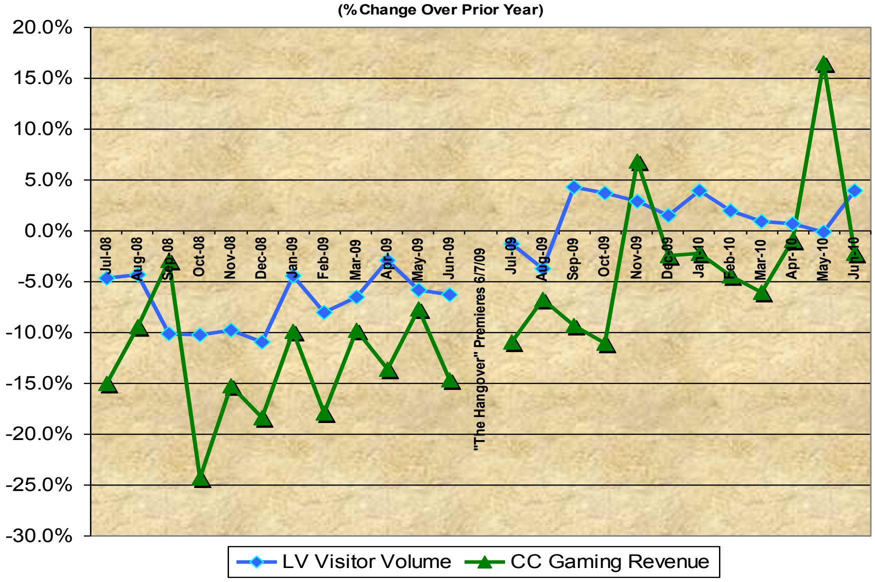
- The Motion Picture Jobs Creation Act (currently BDR 781) provides a **transferrable tax credit of 15%** on qualified, in-state expenses for films, TV series, webseries and video games. All money spent in-state on eligible production expenses (Nevada businesses, labor, performers, rentals, hotel rooms, transportation, taxes, permits, catering, post-production, etc) will be submitted to the NFO for review with certification from an independent CPA, then earn a credit toward tax liabilities due to NV. The credit will be approved by the NFO & COED, and then issued by the Dept of Taxation. The project will be overseen by a quarterly committee, including representatives from labor, business and government.

- Eligibility Requirements:
  - At least 60% of shooting days must be in Nevada
  - Minimum qualified, in-state expenditure is $500k
  - Caps of $750k creditable salary per individual, $6M credit cap per project & $20M/project

- If the owner of a credit can't use all of it, he can transfer or sell it to a Nevada business that does. Local companies can save a great deal on taxes, enabling them to hire more locals.

- Nevada's greatest gain from this incentive will be increased tourism. The Annals of Tourism estimates a 54% average increase in tourism-related spending in a featured area in the 4 years following a film's release.[5] Most such reports, however, are case studies or anecdotal, rather than apples-to-apples.[6] Ernst & Young provides 6 examples of tourism bumps, ranging from 13.7% to 74% and averaging 31.6%. New Mexico found that on-screen advertising increased tourist visits by 4.3% and vacation stays were 1.2% longer to accommodate visits to filming locations. They also estimate that **each dollar** paid out by the state **generates $2.50 in tourism revenue** over the 4 years after issuance.[7]

Fig. 3 "THE HANGOVER EFFECT"
LVCVA Statistics
(% Change Over Prior Year)



- Comparing the 12 months prior to the release of "The Hangover" to 12 months after, Las Vegas saw an **8.5% annual increase** in visitor volume, while Clark County enjoyed an astounding **10.5% bump** in gaming revenue.[8] If only a fraction of that was attributable to the film, it means Nevadans can expect recurring, bonus tax base revenue every time our state is "advertised" on screen. Due to Nevada's overwhelming tourism base, we conservatively predict that a successful film tax incentive will **increase tourism 3-5% state-wide**, along with its corresponding tax base revenue. State revenue estimates on the following page are based on only a 1% increase.

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- Primary tax base revenue sources come from direct hires, contractors and suppliers, as well as their employees, goods, rentals and other tax-generating expenditures, including:
  - Payroll taxes
  - Real & personal property taxes
  - Food, lodging, rental cars, airport, sales & gasoline taxes
  - Business & vehicle registrations, licenses & fees
  - Gaming & tourism

Fig 4. Economic Impact Estimates (based 15% credit)		Labor	Business	Tax Base Revenue	
		60%	40%		
Tax Incentives offered by Nevada	$20,000,000	$12,000,000	$8,000,000		
Gross Direct In-State Spend (Qualified/Incentivized)	$133,333,333	$80,000,000	$53,333,333		
State & Local Taxes, Fees, Payroll Taxes, Licenses, etc[9]		13.8%	11.5%	**$17,181,333**	Collected *before* credit is issued
Direct Tax Base Revenue		$11,064,000	$6,117,333		
Indirect & Induced Supplier Impact & Spending[3]	0.9				
Gross Indirect In-State Spend Bonus	$120,000,000	$72,000,000	$48,000,000	**$15,463,200**	Collected *before* credit is issued
Indirect Tax Base Revenue		$9,957,600	$5,505,600		
Avg. Tourism Bump from advertising a location on Screen.[3]	31.6%				
Incentive dollars that actually cause said bump:[3]	10.0%				
Expected NV Tourism Increase from On-Screen Advertising	3.16%				
NV Tourism Revenue (2010)[10]	$46,600,000,000				
Avg. Combined Tax Rate on Tourism Rev.[10]	7.5%				
NV Tax Base Revenue from Tourism (2010)	$3,000,000,000			**$30,000,000**	Recouped over 4yrs after release
Added Tax Base Revenue from only 1% Tourism Increase	**$30,000,000**		**At least**		
Combined Tax Base Revenue Collected by State, Cities & Counties				**$62,644,533**	
Net Economic Impact	**$719,333,333**				
Economic Activity from Each $1 Credited	**$35.97**		**ROI**	**$3.13**	

- The Incentive will be **fiscally positive** by paying for the credit with future revenues that would not have otherwise existed. Every $1.00 credited **earns $3.13 in tax base revenue**, of which $1.65 is collected in-state as direct and indirect tax base revenue *before* the credits are issued.

- The program should be cash-flow positive from Day 1. That leaves the tourism revenue as Nevada's "profit" from the incentive for years to come.

1. Nevada Film Office: www.NevadaFilm.com
2. MPAA state-by-state incentives list: Http://www.mpaa.org/policy/state-by-state
3. Earnst & Young: http://www.ey.com/Publication/vwLUAssetsPI/Evaluating_the_effectiveness_of_state_film_tax_credit_programs/$FILE/1203-1342731%20Motion%20Picture%20assoc.%20film%20credit%20study.pdf
4. Compiled state studies: https://www.dropbox.com/sh/rtk86xbfaxub6tt/3bSDVMQjEg
5. Annals of Tourism: http://articles.latimes.com/2006/jun/05/business/fi-movietour5
6. http://jvm.sagepub.com/content/7/4/316.full.pdf
7. New Mexico tourism impact: http://www.sic.state.nm.us/PDF%20files/NM_Film_Credit_Impact_Analysis.Final.pdf
8. LVCVA: http://www.lvcva.com/stats-and-facts/visitor-statistics/
9. Based on 2 current Nevada Businesses (one labor-based and one rentals-based)
10. Based on publicly-available LVCVA Economic Impact Series by Applied Analysis, January 2010

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